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*McDowell Holdings Limited*

**ANNUAL REPORT 2006 - 2007**

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**McDOWELL HOLDINGS LIMITED***(formerly known as McDowell India Spirits Limited)*

Registered Office: 51, Richmond Road, Bangalore – 560 025



**NOTICE IS HEREBY GIVEN OF THE THIRD ANNUAL GENERAL MEETING** of the Company to be held at Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore – 560 025 on Friday, September 28, 2007, at 5.00 p.m. for the following purposes:

1. To receive and adopt the Balance Sheet of the Company as at March 31, 2007, and the Profit & Loss Account for the year ended on that date together with the reports of the Auditors and Directors thereon;
2. To elect a Director in the place of Mr. V S Venkataraman, who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS**

4. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:

**“RESOLVED**, that consent of the Company be and is hereby accorded for voluntary de-listing of equity shares of the Company from the Stock Exchanges situated at Ahmedabad, Chennai, Kolkata and New Delhi in accordance with the provisions of the Securities & Exchange Board of India (De-listing of Securities) Guidelines, 2003, and all relevant laws, rules, regulations and guidelines (including any statutory modification(s) or re-enactment(s) thereof or may be enacted hereinafter) by Securities & Exchange Board of India (SEBI), or any other appropriate authority(ies) from time to time and for the time being in force and subject to such approvals, permissions, consents and sanctions as may be required from any relevant authority(ies) including the Stock Exchanges concerned and in compliance with such conditions and modifications as may be necessary for this purpose.”

**“FURTHER RESOLVED** that the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee(s) thereof formed for the time being to exercise the powers conferred by the Board), be and is hereby authorised to seek voluntary de-listing, take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and settle any question, difficulty, doubt that may arise in regard to voluntary de-listing of equity shares from the aforesaid four Stock Exchanges and to execute all such deeds, documents, writings as may be necessary or required for giving effect to this resolution”.

By Order of the Board

Bangalore  
August 24, 2007

**Ritesh Shah**  
Company Secretary



### Notes:

- 1) Please refer to the explanatory statement given hereunder.
- 2) **A SHAREHOLDER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF ONLY ON A POLL. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**  
  
The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for the holding of the Meeting.
- 3) The Transfer Books and Register of Members will remain closed from Tuesday, September 25, 2007, to Friday, September 28, 2007 (both days inclusive).
- 4) Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, M/s. Alpha Systems Private Limited, 30, Ramana Residency, 4<sup>th</sup> Cross, Sampige Road, Bangalore 560 003 (Telephone No. 080-23460815-818 Fax No. 080 2346 0819), any change in their registered addresses along with PIN Code Number.
- 5) Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note No. 4 above.
- 6) Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note no. 4 above.
- 7) Nomination facility for shares is available for members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated in Note no.4 above.
- 8) The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.
- 9) The Company has designated an exclusive e-mail id viz, mhlinvestor@ubmail.com to enable the investors to post their grievances and monitor its redressal.
- 10) The Company has not declared any dividend since its incorporation on March 01, 2004, and hence there is no unclaimed dividend required to be transferred to the Investor Education and Protection Fund.
- 11) Members attending the Annual General Meeting are requested to bring with them the following:
  - a. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.
  - b. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.



- 12) The Company would accept only the Attendance Slip from a member actually attending the Meeting or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting.
- 13) Attendance Slips of Members/valid proxies not personally present at the Meeting or relating to Proxies which are invalid, will not be accepted from any other member/person.
- 14) The Meeting is for members or their proxies only. Please avoid being accompanied by non-members/ children.

#### **EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956**

##### **Item no. 4**

In terms of the Composite Scheme of Arrangement (the Scheme), sanctioned by the Honourable High Court of Karnataka, the equity shares of your Company have been listed on Bangalore Stock Exchange Limited (Regional Exchange), Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited and Ahmedabad Stock Exchange Limited.

The equity shares of your Company are traded mainly on Bombay Stock Exchange Limited and National Stock Exchange of India Limited and seldom traded on other exchanges.

In view of the above, your Directors, at their Meeting held on August 24, 2007, have approved the voluntary de-listing of equity shares of the Company from the Stock Exchanges situated at Ahmedabad, Chennai, Kolkata and New Delhi, subject to approval of the shareholders at this Annual General Meeting and completion of necessary formalities in this regard in terms of the Securities & Exchange Board of India (De-listing of Securities) Guidelines, 2003.

The proposed voluntary de-listing of equity shares of your Company from the said four Stock Exchanges will not adversely affect any investors including the Members located in the regions where the said Stock Exchanges are situated. The equity shares of your Company are compulsorily traded in electronic mode, which enables the investors to trade in the same from anywhere in the Country. As the equity shares of the Company shall continue to remain listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Bangalore Stock Exchange Limited, no exit option is required to be offered to the Shareholders. Further, de-listing of equity shares from the said stock exchanges will entail savings in Annual Listing Fees and other administrative costs.

Your Directors recommend the Resolution for approval by members.

None of the Directors of your Company is concerned or interested in this resolution.

By Order of the Board

Bangalore  
August 24, 2007

**Ritesh Shah**  
Company Secretary



## **BOARD OF DIRECTORS**

**Dr. VIJAY MALLYA**  
CHAIRMAN

**A. HARISH BHAT**  
MANAGING DIRECTOR

**N. SRINIVASAN**

**M. R. DORAISWAMY IYENGAR**

**V. S. VENKATARAMAN**

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**COMPANY SECRETARY**  
RITESH SHAH

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**AUDITORS**  
VISHNU RAM & CO., CHARTERED ACCOUNTANTS, BANGALORE

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**REGISTERED OFFICE**  
51, RICHMOND ROAD,  
BANGALORE – 560 025





## Report of the Directors

Your Directors have pleasure in presenting the third Annual Report of your Company and the audited accounts for the year ended March 31, 2007.

At the outset, your Directors are happy to report that your Company has since obtained listing and trading approval from Bangalore Stock Exchange Limited (Regional Exchange), Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited.

The trading in equity shares of the Company commenced with effect from May 30, 2007, on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

### FINANCIAL RESULTS

Particulars	Current Year 2006-07 (Rs.)	Previous Year 2005-06 (Rs.)
<b>Income</b>	<b>11,582,134</b>	<b>4,547,352</b>
<b>Less : Expenditure</b>	<b>2,894,416</b>	<b>1,275,869</b>
<b>Profit for the year before tax</b>	<b>8,687,718</b>	<b>3,271,483</b>
<b>Less: Income tax provision</b>	<b>-</b>	<b>267,000</b>
<b>Profit after tax</b>	<b>8,687,718</b>	<b>3,004,483</b>
<b>Balance brought forward from previous year</b>	<b>2,825,793</b>	<b>(1,78,690)</b>
<b>Balance carried forward to Balance Sheet</b>	<b>11,513,511</b>	<b>2,825,793</b>

In order to conserve the resources for the future, your Directors have decided not to recommend any dividend on the equity shares for the year ended March 31, 2007.

### REVIEW OF OPERATIONS

The Total Income has increased from Rs. 4,547,352/- in 2005-06 to Rs. 11,582,134/- in 2006-07, primarily on account of higher dividend payouts by the investee companies. The Profit after tax for the year amounted to Rs. 8,687,718/- as against Rs. 3,004,483/- in the previous year.

As your Company is essentially an investment Company, it has filed an application with the Reserve Bank of India for registration as Non-Banking Financial Company.

### PROSPECTS

Consequent upon the Composite Scheme of Arrangement becoming effective, your Company holds significant investments in the UB Group Companies.

The continuing buoyant conditions prevailing in the industry of the investee companies has resulted in substantial appreciation in the value of the Investments, which has in turn resulted in enhancement of shareholders value.



## Report of the Directors (Contd.)

The Company will focus on making long-term strategic investments in various new ventures promoted by the UB group, besides consolidating the existing investments through further investments in the existing Companies as and when opportunities and resources are available.

### DIRECTORS

Mr. V S Venkataraman retires by rotation and being eligible, offers himself for re-appointment.

As per the declarations received, none of the Directors of the Company is disqualified to be appointed as a Director of any Public Limited Company in terms of Section 274 (1) (g) of the Companies Act, 1956.

### AUDITORS

M/s. Vishnu Ram & Co., Chartered Accountants, the retiring Auditors, are eligible for re-appointment at the ensuing Annual General Meeting and it is necessary to fix their remuneration.

### LISTING OF EQUITY SHARES OF THE COMPANY

In terms of the Composite Scheme of Arrangement (the Scheme), the Company had allotted equity shares to the shareholders of United Spirits Limited (formerly known as McDowell & Company Limited), as per the ratio specified in the Scheme. The share certificates in respect of shareholders who had opted for holding shares in physical form and credit to demat account in respect of shareholders who had opted for holding shares in demat form were dispatched / credited to demat account. Subsequent to the balance sheet date, the Company has distributed the net sale proceeds of fractional shares to all eligible shareholders in proportion to their respective fractional entitlements.

The equity shares of your Company have been listed on Bangalore Stock Exchange Limited (Regional Exchange), Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, Ahmedabad Stock Exchange Limited and The Calcutta Stock Exchange Association Limited.

The trading in equity shares of the Company commenced with effect from May 30, 2007, on Bombay Stock Exchange Limited & National Stock Exchange of India Limited.

### DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on August 17, 2007 (i.e. date of last benpos), equity shares representing 93.82% of the equity share capital are in dematerialised form.

### CORPORATE GOVERNANCE

A report on Corporate Governance is annexed separately as part of the Annual Report along with a certificate of compliance from the Auditors. Necessary requirements of obtaining certifications / declarations in terms of Clause 49 of the listing agreement with the stock exchanges have been complied with.





## Report of the Directors (Contd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the listing agreement with the stock exchanges, Management Discussion and Analysis Report is annexed and forms an integral part of the Annual Report.

### CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION ETC.

Your Company is not engaged in manufacturing activity and therefore disclosure of information in respect of conservation of energy and technology absorption pursuant to Section 217 (1) (e) of the Companies Act, 1956, is not applicable.

During the year under review, the Company had no transactions in foreign exchange and no expenditure was incurred on Research & Development.

### EMPLOYEES

The Company has no employee in respect of whom Statement under Section 217 (2A) of the Companies Act, 1956, is required to be annexed.

### FIXED DEPOSITS

The Company has not accepted any deposits from public during the year.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required in terms of Section 217 (2AA) of the Companies Act, 1956, your Directors wish to state as under –

- a. That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. That the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- c. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. That the Directors have prepared the Annual Accounts on a going concern basis.

### ACKNOWLEDGEMENT

Your Directors wish to acknowledge the co-operation, understanding and support extended by the Shareholders and Bankers.

### By Authority of the Board

Bangalore  
August 24, 2007

**A. Harish Bhat**  
Managing Director

**V.S. Venkataraman**  
Director



## Corporate Governance Report

In terms of a Composite Scheme of Arrangement (the Scheme) sanctioned by the Honourable High Court of Karnataka, the Investment Business of McDowell & Company Limited (since renamed as United Spirits Limited), which primarily comprises of investments in UB Group Companies was demerged into the Company with effect from the opening hours of April 1, 2005.

In terms of the Scheme, the Company had issued and allotted 12,094,281 equity shares of Rs. 10/- each, fully paid-up to the shareholders of United Spirits Limited on November 06, 2006, in the ratio of 1 (one) equity share of Rs. 10/- each fully paid-up in respect of every 5 (five) equity shares of Rs. 10/- each fully paid-up held in United Spirits Limited. The equity shares of the Company have been listed on Bangalore Stock Exchange Limited, Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited and Ahmedabad Stock Exchange Limited.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes in the need for upholding the highest standard of Corporate Governance in its operations and ensuring adherence to high ethical and moral standards.

The philosophy of the Company on Corporate Governance envisages, *inter alia*, attainment of the highest levels of accountability and equity in all its actions and enhancement of shareholder value keeping in view the needs and interests of other stake holders.

### 2. CODE OF CONDUCT

The Company has adopted the Code of Conduct for the Board of Directors and Senior Officers of the Company. It has also adopted the Code for Prevention of Insider Trading. Both these codes ensure adherence to high ethical standards which binds the Company, Directors and Employees. Affirmations regarding compliance with the Code of Conduct were obtained from all Board Members and the declarations furnished by the Managing Director in this regard.

### 3. BOARD OF DIRECTORS

#### [a] Composition and Category of Directors

The Board of Directors comprises a Non - Executive Chairman, a Managing Director and three other Non Executive Directors.

During the financial year under review, nine (9) Board Meetings were held on June 30, 2006, August 11, 2006, September 25, 2006, October 6, 2006, October 17, 2006, November 6, 2006, November 23, 2006, January 23, 2007 and March 16, 2007.

Attendance of each Director at the Board Meetings and the last Annual General Meeting and details of number of outside Directorship and Committee position held by each of the Directors as on date are given below: